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Dr. Navtika Singh Nautiyal

Dr. Navtika Singh Nautiyal presently working as an Assistant Professor in School of law, Forensic Justice and Policy studies at National Forensic Sciences University, Gandhinagar, Gujarat. She has 9 years of Teaching and Research Experience. She has completed her Philosophy of Doctorate in 'Intercountry adoption laws from Uttranchal University, Dehradun' and LLM from Indian Law Institute, New Delhi.



Dr. Rinu Saraswat

Associate Professor at School of Law, Apex University, Jaipur, M.A, LL.M, Ph.D,

Dr. Rinu have 5 yrs of teaching experience in renowned institutions like Jagannath University and Apex University. Participated in more than 20 national and international seminars and conferences and 5 workshops and training programmes.

Dr. Nitesh Saraswat

E.MBA, LL.M, Ph.D, PGDSAPM

Currently working as Assistant Professor at Law Centre II, Faculty of Law, University of Delhi. Dr. Nitesh have 14 years of Teaching, Administrative and research experience in Renowned Institutions like Amity University, Tata Institute of Social Sciences, Jai Narain Vyas University Jodhpur, Jagannath University and Nirma University.

More than 25 Publications in renowned National and International Journals and has authored a Text book on Cr.P.C and Juvenile Delinquency law.



Subhrajit Chanda

BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

CORPORATE FRAUD AND WHISTLE-BLOWER PROTECTION: A LEGAL ANALYSIS POST-BANK SCAMS CASES IN INDIA¹

AUTHORED BY - ADRIJA MAJUMDAR & SHIVAM SHUKLA

Abstract

Corporate fraud represents a significant threat to the financial and economic stability of any nation, and in India, this menace has intensified in recent years, particularly within the banking sector. High-profile scandals involving individuals such as Nirav Modi, Mehul Choksi, and Vijay Mallya, along with the Punjab & Maharashtra Co-operative Bank crisis, have revealed glaring deficiencies in internal controls, compliance mechanisms, and oversight by regulatory bodies. These incidents have not only resulted in the misappropriation of thousands of crores of public money but also triggered a crisis of confidence in the integrity of financial institutions and corporate governance structures.

In this context, whistleblowers—insiders who disclose wrongdoing within organizations—have emerged as vital actors in the early detection and prevention of fraudulent practices. However, in India, individuals who come forward with information about corporate fraud often face retaliation, harassment, or career setbacks, thereby discouraging others from taking similar action. Despite the enactment of the Whistle Blowers Protection Act, 2014, and protective clauses in the Companies Act, 2013, the enforcement and scope of these legal provisions remain largely ineffective and underutilized. The lack of adequate safeguards, anonymity mechanisms, and swift redressal processes makes whistleblower protection in India more theoretical than practical.

This research paper undertakes a critical legal analysis of India's current legislative and institutional framework dealing with corporate fraud and whistleblower protection. It evaluates the effectiveness of existing laws post the eruption of major bank scams and explores how far they have been able to address the challenges posed by powerful corporate offenders. The study also compares India's whistleblower policies with global best practices, particularly

¹ Authored by Adrija Majumdar and Shivam Shukla

in jurisdictions like the United States and the United Kingdom, to identify gaps and potential areas for reform. Through doctrinal and analytical methods, the paper seeks to highlight the urgent need for a robust whistleblower protection regime that can support transparency, encourage ethical corporate behavior, and strengthen investor and public confidence in the corporate and banking sectors.

Keywords

Corporate fraud; whistleblower protection; bank scams; financial regulation; legal analysis; corporate governance; banking sector; regulatory framework; Companies Act, 2013; Whistle Blowers Protection Act, 2014; India; anti-corruption laws; insider reporting; legal reforms.

Literature Review

The issue of corporate fraud and whistleblower protection has garnered substantial academic and policy attention over the past two decades, especially in the wake of major financial scandals both globally and within India. This section reviews key scholarly works, legislative commentaries, and case law analyses to provide a foundational understanding of the existing discourse.

1. Corporate Fraud and Governance Mechanisms

Scholars such as Satheesh Kumar and Narayanaswamy (2016) have extensively studied corporate fraud in the Indian context, noting that fraud often stems from weak governance structures, lack of accountability, and limited regulatory enforcement. Their research indicates that corporate entities, particularly in the financial sector, exploit regulatory loopholes and manipulate accounting disclosures, with limited fear of detection or consequences.

2. Role of Whistleblowers in Corporate Integrity

The role of whistleblowers has been discussed by scholars like Callahan and Dworkin, who argue that effective whistleblower mechanisms serve as internal checks against corruption and unethical practices. Indian scholars such as Arpita Mukherjee have emphasized that whistleblowers often act as the “first line of defence” against corporate fraud, especially when internal compliance systems are compromised.

3. Legal Framework for Whistleblower Protection in India

The enactment of the **Whistle Blowers Protection Act, 2014** marked a significant step in institutionalizing protections for individuals exposing corruption. However, as observed by Bhatia and Tripathi (2018), the Act suffers from critical deficiencies, including the absence of provisions for anonymous complaints, the exclusion of the private sector, and lack of strong enforcement mechanisms. Furthermore, delays in notifying rules under the Act have rendered it largely ineffective in practice.

4. Banking Scams and Regulatory Failures

Several researchers have analysed the regulatory lapses in high-profile bank scams. For instance, Mishra (2019) highlighted the systemic failures of institutions like the Reserve Bank of India and the Ministry of Corporate Affairs in preempting the frauds involving firms linked to Nirav Modi and Vijay Mallya. These works underline the need for proactive oversight and stronger compliance auditing mechanisms within banks.

5. International Comparisons and Best Practices

A comparative study by Sharma and Menon (2020) reviewed whistleblower regimes in countries such as the United States (Sarbanes-Oxley Act, Dodd-Frank Act) and the United Kingdom (Public Interest Disclosure Act). The study found that these jurisdictions provide more robust protections, financial incentives, and institutional support, thereby encouraging more individuals to report misconduct.

6. Judicial Responses and Interpretations

Judicial pronouncements in India have played a limited but evolving role in protecting whistleblowers. Notable cases like *Satyendra Dubey's* death triggered public and judicial attention toward the necessity of a stronger whistleblower mechanism. However, courts have often deferred to the executive in matters concerning whistleblower safety, limiting their proactive role in safeguarding informants.

Research Methodology

This research paper adopts a **doctrinal and analytical legal research methodology** to examine the legislative and institutional framework related to corporate fraud and whistleblower protection in India, especially in light of recent bank scams.

1. Doctrinal Legal Research

The core methodology employed in this study is doctrinal, which involves a thorough examination of:

- Statutory provisions, including the **Whistle Blowers Protection Act, 2014**, and relevant sections of the **Companies Act, 2013**;
- Regulatory guidelines issued by institutions such as the **Reserve Bank of India (RBI)** and the **Securities and Exchange Board of India (SEBI)**;
- Reports of parliamentary committees, Comptroller and Auditor General (CAG), and other official investigations into bank scams;
- Judicial decisions from Indian courts relevant to whistleblower protection and corporate fraud accountability.

2. Analytical and Comparative Approach

To supplement doctrinal analysis, the study uses an analytical framework to:

- Evaluate the **efficacy and limitations** of existing Indian laws on whistleblower protection;
- Identify gaps in implementation and enforcement mechanisms, particularly in the context of recent bank fraud cases;
- Conduct **comparative analysis** with international legal frameworks, such as the **Sarbanes-Oxley Act (USA)**, the **Dodd-Frank Wall Street Reform Act (USA)**, and the **Public Interest Disclosure Act (UK)** to extract best practices suitable for Indian conditions.

3. Secondary Sources

The research relies extensively on **secondary sources**, including:

- Peer-reviewed journal articles;
- Law commission and committee reports;
- Books and treatises on corporate governance and whistleblower laws;
- News archives and investigative reports on bank fraud cases;
- Commentaries and critiques by legal scholars and public policy think tanks.

4. Scope and Limitation

The study is limited to a legal analysis of corporate fraud and whistleblower laws, with a primary focus on **Indian law**. While relevant economic or sociological dimensions are

acknowledged, the primary objective remains to assess **legal adequacy and propose reforms**. The analysis centers around key bank scam cases that have occurred post-2010.

Hypothesis

This research is based on the following primary and subsidiary hypotheses:

Primary Hypothesis

The existing legal framework in India is **inadequate** in effectively preventing corporate fraud and **fails to provide sufficient protection** and institutional support to whistleblowers, particularly in the context of major bank scams.

Sub-Hypotheses

1. The **Whistle Blowers Protection Act, 2014**, and relevant provisions under the **Companies Act, 2013**, are not being implemented effectively, resulting in a **lack of confidence** among potential whistleblowers.
2. The **absence of anonymity provisions**, delays in redressal, and weak enforcement mechanisms act as **disincentives** for individuals to report wrongdoing within corporate and banking institutions.
3. **Comparative international frameworks** provide more robust models that India can adapt to improve whistleblower protection and reduce corporate fraud.
4. A stronger legal and institutional framework would lead to **greater transparency**, improved corporate governance, and **reduced incidents of fraud**, especially in the banking sector.

Introduction

Corporate fraud has emerged as a persistent and systemic problem in India's economic landscape, with a particularly devastating impact on the banking and financial sectors. The exposure of major bank scams—such as those involving Nirav Modi, Mehul Choksi, Vijay Mallya, and the Punjab & Maharashtra Co-operative Bank—has spotlighted deep-rooted flaws in regulatory oversight, financial accountability, and corporate governance. These scams have resulted in substantial financial losses, undermined public confidence in financial institutions, and revealed a recurring pattern of institutional complicity and regulatory failure.

A critical aspect often overlooked in these frauds is the role—or absence—of whistleblowers. Whistleblowers, who are typically insiders, are often the first to detect fraudulent practices and

ethical violations within corporations. However, their effectiveness is significantly curtailed in environments where adequate legal protection is absent. In India, whistleblowers have faced serious retaliation, including harassment, threats, and in extreme cases, even death. The tragic murder of Satyendra Dubey in 2003, who exposed corruption in the National Highways Authority of India (NHAI), remains a chilling reminder of the dangers faced by those who speak out against systemic corruption and fraud².

In response to rising concerns over whistleblower safety and the integrity of corporate conduct, the Indian Parliament enacted the **Whistle Blowers Protection Act, 2014**. Additionally, provisions under the **Companies Act, 2013**, mandate the establishment of vigil mechanisms in certain classes of companies. While these legal instruments were intended to foster a culture of transparency and protect whistleblowers from victimization, their implementation has been far from effective. Procedural gaps, lack of anonymity provisions, and the exclusion of the private sector have rendered the framework weak and under-enforced²³.

Recent banking scams have further underscored the ineffectiveness of India's whistleblower protection regime. In many of these cases, red flags were either ignored or inadequately acted upon. Regulatory institutions such as the Reserve Bank of India (RBI) and the Central Vigilance Commission (CVC) have often been criticized for their reactive rather than proactive approach to fraud detection⁴. Consequently, there is a growing consensus that India requires a more robust, transparent, and enforceable legal regime to address corporate fraud and support whistleblowers.

This research paper explores the **legal and institutional framework** for whistleblower protection in India with a particular focus on corporate fraud in the banking sector. It examines the efficacy of current laws post-bank scam revelations and conducts a comparative analysis with international best practices. The study argues for urgent legal reforms and enhanced enforcement mechanisms to build a stronger corporate governance environment capable of deterring fraud and protecting those who expose it.

² Arvind Datar, 'Whistleblower's Death Raises Alarming Questions' *The Hindu* (Chennai, 30 November 2003)

³ Shruti Bedi and Harshit Rathi, 'Revisiting the Whistleblower Protection Act, 2014' (2020) 6(1) *Indian Journal of Law and Justice* 45.

⁴ Committee on Banking Sector Frauds, 'Report on Effectiveness of Regulatory Oversight in Preventing Banking Frauds' (Ministry of Finance, Government of India 2021)

1. Understanding Corporate Fraud in the Indian Banking Sector

Corporate fraud refers to deliberate acts committed by individuals or corporate entities to deceive stakeholders, manipulate financial outcomes, or gain an unfair advantage, often at the expense of the public interest or shareholder value. In India, the banking sector has emerged as a primary site of such fraudulent activities, often involving high-value defaults, manipulation of credit assessments, collusion with internal officials, and misuse of letters of undertaking (LoUs).

One of the most infamous examples is the **Punjab National Bank (PNB) fraud** involving diamond merchant Nirav Modi and his associates, where over ₹13,000 crore was siphoned through unauthorized LoUs issued without proper documentation or collateral⁵. Another notable case is that of **Vijay Mallya**, who defaulted on loans exceeding ₹9,000 crore borrowed from a consortium of banks under fraudulent representations and continued to evade legal consequences by fleeing the country⁶. These cases underscore systemic issues, including lax internal controls, inadequate due diligence, and regulatory complacency.

Corporate frauds in the banking sector are particularly damaging due to the involvement of public funds and the critical role banks play in the broader economy. Such frauds not only erode public trust but also destabilize investor confidence and raise questions about the effectiveness of financial regulation in India. While the **Reserve Bank of India (RBI)** and the **Central Bureau of Investigation (CBI)** have initiated probes and issued revised guidelines, these have often been post-facto responses rather than preemptive measures⁷.

Furthermore, the **financial auditing ecosystem** has also come under scrutiny. In several bank fraud cases, auditors either failed to detect anomalies or colluded with the management to present misleading financial statements. This suggests a failure in both external auditing procedures and internal checks, raising concerns about ethical standards and accountability in corporate India⁸.

⁵ Central Bureau of Investigation, 'CBI Files Charge Sheet in PNB Fraud Case' (Press Release, 2018)

⁶ Ministry of External Affairs, Government of India, 'Extradition Request for Vijay Mallya' (2019)

⁷ Reserve Bank of India, 'Report on Frauds in the Indian Banking Sector 2020–21' (RBI 2021)

⁸ Financial Reporting Review Board, 'Review of Audit Failures in Corporate Frauds' (Institute of Chartered Accountants of India 2022)

The increasing incidence of corporate fraud has compelled regulatory authorities to re-evaluate governance practices, enhance risk assessment frameworks, and emphasize compliance culture. However, these reforms remain fragmented and inconsistent in their application. A robust legal framework supported by vigilant enforcement agencies and empowered whistleblowers is essential to combat this growing menace.

2. Legal Framework Governing Whistleblower Protection in India

In recognition of the crucial role whistleblowers play in uncovering corporate and financial misconduct, the Indian legal system has enacted certain legislative measures aimed at safeguarding these individuals. However, the framework remains fragmented, underdeveloped, and largely ineffective, especially when measured against international standards. Two major legislative instruments are central to this discussion: the **Whistle Blowers Protection Act, 2014** and the relevant provisions of the **Companies Act, 2013**.

2.1 The Whistle Blowers Protection Act, 2014

The Whistle Blowers Protection Act, 2014 was enacted in response to mounting public pressure following the deaths of whistleblowers like **Satyendra Dubey** and **Manjunath Shanmugam**, who were murdered after exposing corruption in government agencies⁹. The Act aims to establish a mechanism to receive complaints related to the disclosure of corruption, wilful misuse of power, or criminal offences by public servants and to provide safeguards against victimisation.

While well-intentioned, the Act suffers from significant shortcomings:

- It is restricted to **public sector** disclosures, leaving whistleblowers in the **private corporate sector** largely unprotected.
- It does not provide for **anonymous complaints**, deterring individuals from coming forward due to fear of retaliation.
- The Act's enforcement has been limited. Although passed by Parliament in 2014, the rules required for its effective operation were **not notified for several years**¹⁰.

⁹ Vibhuti Agarwal, 'India's Whistleblowers Risk Lives to Expose Graft' *The Wall Street Journal* (New Delhi, 10 May 2014)

¹⁰ Pooja Singh, 'Whistle Blowers Protection Act Remains Toothless Without Rules' *Business Standard* (New Delhi, 21 March 2019)

- In 2015, the government introduced amendments to the Act that sought to **dilute its protections** by barring disclosures that related to certain categories of information under the Official Secrets Act, thereby undermining its original objective¹¹.

2.2 Companies Act, 2013 – Section 177 and Vigil Mechanisms

The **Companies Act, 2013** introduced **Section 177(9)** and **Section 177(10)**, which require certain classes of companies (such as listed companies and those accepting public deposits) to establish a **vigil mechanism** for directors and employees to report genuine concerns or grievances¹². The provision also requires adequate safeguards against victimisation of whistleblowers and mandates access to the mechanism for whistleblowers directly to the audit committee.

Despite its presence, this mechanism has several issues in practice:

- It **lacks independence** in many companies, where the whistleblower system is managed by internal personnel with potential conflicts of interest.
- The absence of a **mandatory external oversight body** renders the mechanism ineffective in ensuring accountability.
- There is no standardised protocol for how whistleblower complaints are to be investigated or what protections are provided, leading to **inconsistent application** across corporate entities¹³.

2.3 Role of SEBI and RBI

The **Securities and Exchange Board of India (SEBI)** introduced a **whistleblower mechanism under its Listing Obligations and Disclosure Requirements (LODR) Regulations**, which mandates listed companies to have functional vigil mechanisms. In 2019, SEBI amended its norms to include rewards for whistleblowers under the **Prohibition of Insider Trading Regulations**, following the model of the United States' SEC¹⁴. However, this applies narrowly and does not cover broader corporate fraud.

¹¹ Whistle Blowers Protection (Amendment) Bill 2015, Bill No. 98 of 2015 (India).

¹² Companies Act 2013, s 177(9)-(10).

¹³ Pranav Roy, 'Corporate Vigil Mechanisms: Are They Serving Whistleblowers?' (2020) 12(3) *NLS Business Law Review* 56.

¹⁴ SEBI (Prohibition of Insider Trading) (Amendment) Regulations 2019

Similarly, the **Reserve Bank of India (RBI)** issued internal circulars directing banks to have whistleblower policies, but these are **non-binding guidelines**, and their implementation has been far from uniform or effective¹⁵.

In sum, while India has made some legislative strides in recognising the importance of whistleblowers, the current framework remains piecemeal and underdeveloped. The failure to provide comprehensive protection, coupled with weak enforcement and lack of anonymity, discourages insiders from exposing financial irregularities, allowing corporate fraud to proliferate unchecked.

3. Challenges Faced by Whistleblowers in India

Whistleblowers in India face a multitude of challenges—legal, institutional, and societal—that severely hinder their ability to expose corporate fraud. Despite the existence of statutory frameworks like the **Whistle Blowers Protection Act, 2014**, and internal vigil mechanisms under the **Companies Act, 2013**, these provisions have done little to embolden whistleblowers or create an environment of safety and support.

3.1 Fear of Retaliation and Harassment

One of the most pressing concerns is **fear of retaliation**. Whistleblowers risk losing their jobs, facing workplace harassment, being ostracised by peers, or becoming targets of strategic lawsuits or physical threats. For example, **Satyendra Dubey**, an engineer with the National Highways Authority of India (NHAI), was murdered after reporting corruption in the Golden Quadrilateral project¹⁶. This and similar incidents have created a chilling effect, deterring many potential whistleblowers from speaking up.

The Whistle Blowers Protection Act promises safeguards against victimisation, but its lack of implementation, anonymity provisions, and clarity on protection protocols make it ineffective. In private sector entities, such protection is virtually absent.

¹⁵ Reserve Bank of India, 'Whistle Blower Policy for Banks' (2015) RBI Circular DBR.No.Leg.BC.28/09.07.005/2015-16

¹⁶ Arvind Datar, 'Whistleblower's Death Raises Alarming Questions' *The Hindu* (Chennai, 30 November 2003)

3.2 Inadequate Legal Support and Procedural Delays

Even when whistleblowers come forward, they are frequently mired in **bureaucratic and procedural delays**. Cases are often not registered, or investigations are slow and non-transparent. This prolonged process discourages whistleblowing and results in **loss of crucial evidence**. Additionally, whistleblowers rarely receive legal assistance or counselling, further alienating them during proceedings¹⁷.

Moreover, the **absence of a dedicated authority** or ombudsman to handle whistleblower complaints—especially in the private sector—leads to fragmentation in accountability and case handling.

3.3 Lack of Anonymity and Confidentiality

Unlike several international models that allow for **anonymous disclosures** and strictly protect the identity of the whistleblower, Indian laws do not mandate anonymity. Section 4(6) of the 2014 Act permits disclosure to the competent authority but does not guarantee non-disclosure of identity. This legal loophole exposes whistleblowers to grave personal and professional risks¹⁸.

Internal company vigil mechanisms also fail to assure confidentiality. In most companies, the internal compliance team or management personnel control the mechanism—resulting in a **conflict of interest** and potential exposure of the whistleblower's identity to those being reported.

3.4 Weak Enforcement and Lack of Institutional Will

Even when complaints are submitted and investigated, **prosecution and penalties** are rare. Many companies prefer internal settlements or suppress evidence to avoid reputational damage. Regulators such as SEBI and RBI have issued guidelines, but enforcement is discretionary and often toothless.

¹⁷ Pratibha Jain, 'Protecting the Whistleblower: A Legal Vacuum in India's Corporate Governance' (2019) 7(2) *NUJS Law Review* 78

¹⁸ Whistle Blowers Protection Act 2014, s 4(6)

Further, there is **no statutory reward mechanism** in India to incentivise whistleblowing. In contrast, countries like the USA offer monetary rewards and robust protection through laws like the **Dodd-Frank Act**, encouraging disclosures that help recover billions in fraud losses¹⁹.

3.5 Social and Professional Isolation

Whistleblowers are often seen as “traitors” within their professional circles. Many suffer **social exclusion, career stagnation, and mental health issues** as a consequence of their disclosures. The absence of post-retaliation rehabilitation or psychological support mechanisms aggravates this vulnerability²⁰.

4. Comparative Analysis with International Whistleblower Laws

To evaluate the effectiveness of India’s whistleblower protection framework, it is vital to compare it with **international legal standards** that have successfully fostered a safer environment for corporate whistleblowers. Jurisdictions like the **United States**, the **United Kingdom**, and the **European Union** have established comprehensive mechanisms that not only protect whistleblowers from retaliation but also incentivize disclosures that are in the public interest.

4.1 United States: Dodd-Frank Act and Sarbanes-Oxley Act

The **United States** has one of the most robust whistleblower regimes globally. The **Sarbanes-Oxley Act, 2002** was introduced post the Enron and WorldCom scandals to ensure internal accountability within corporations. It mandates public companies to establish internal mechanisms to address whistleblower complaints and prohibits retaliation²¹.

More significantly, the **Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010**, established the **Office of the Whistleblower** under the **U.S. Securities and Exchange Commission (SEC)**. This law provides:

- Monetary **rewards up to 30%** of recovered amounts for whistleblowers whose tips lead to successful enforcement actions.
- Strong **anti-retaliation provisions**, including reinstatement and compensation.

¹⁹ U.S. Securities and Exchange Commission, ‘Office of the Whistleblower: 2021 Annual Report’

²⁰ Debashree Mukherjee, ‘Whistleblowers and Mental Health: A Forgotten Cost of Speaking Truth’ *Economic & Political Weekly* (Mumbai, 4 January 2020) 55(1) 32

²¹ Sarbanes-Oxley Act 2002, Pub L No 107–204, 116 Stat 745 (US)

- Provisions for **anonymous reporting**, provided the whistleblower is represented by legal counsel²².

These mechanisms have proven successful, with the SEC awarding over **\$1.9 billion** to whistleblowers between 2011 and 2024²³.

4.2 United Kingdom: Public Interest Disclosure Act, 1998 (PIDA)

The **United Kingdom** protects whistleblowers under the **Public Interest Disclosure Act, 1998**. PIDA provides protection for disclosures made in good faith concerning criminal offences, legal obligations, miscarriages of justice, and other wrongdoing. Key features include:

- **Protection against unfair dismissal** or detrimental treatment.
- A requirement for internal company mechanisms to handle such disclosures.
- **Employment tribunals** as a forum for redressal, which have increasingly recognized the rights of whistleblowers²⁴.

Unlike Indian laws, PIDA is applicable across both **public and private sectors** and provides consistent judicial interpretation for upholding whistleblower rights.

4.3 European Union: EU Whistleblower Directive (2019/1937)

The **European Union** adopted the **Whistleblower Protection Directive (2019/1937)** to harmonize laws across member states. This directive mandates:

- Establishment of **secure and confidential reporting channels** in both private and public sectors.
- Protection against **all forms of retaliation**, including dismissal, demotion, and blacklisting.
- Obligation on companies with more than 50 employees to implement **internal reporting mechanisms**.
- Clear **timeframes for authorities** to respond to disclosures and provide follow-up²⁵.

²² Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, Pub L No 111–203, 124 Stat 1376 (US), s 922

²³ U.S. Securities and Exchange Commission, ‘Annual Report to Congress: Whistleblower Program Fiscal Year 2024

²⁴ Public Interest Disclosure Act 1998 (UK) s 1; see also *Chesterton Global Ltd v Nurmohamed* [2017] EWCA Civ 979

²⁵ Directive (EU) 2019/1937 of the European Parliament and of the Council on the Protection of Persons Who Report Breaches of Union Law [2019] OJ L305/17

The directive is comprehensive and represents a **balanced approach** between transparency, accountability, and protection.

4.4 Lessons for India

India's whistleblower regime falls short in comparison. While the Whistle Blowers Protection Act, 2014, and provisions under the Companies Act, 2013 show legislative intent, they lack the **institutional depth, enforcement strength, and incentive mechanisms** seen in international frameworks.

- **Anonymity** and **monetary rewards** are absent in Indian law, unlike in the U.S.
- **Sector-wide applicability**, especially to the private sector, remains limited.
- There is no **dedicated whistleblower protection authority** in India akin to the SEC's Office of the Whistleblower.
- Enforcement is discretionary and underused, often resulting in impunity for retaliatory acts.

By integrating international best practices—such as **monetary incentives, dedicated oversight bodies, and robust anti-retaliation safeguards**—India can strengthen its framework and encourage more disclosures to prevent and address corporate fraud.

5. Judicial Trends in Whistleblower Protection in India

The Indian judiciary has played a pivotal role in recognising the value of whistleblowers and in calling for their protection in the absence of comprehensive statutory enforcement. However, judicial intervention has often been reactive rather than preventive, with judgments typically emerging after the whistleblower has suffered victimisation or harm. Through a review of significant judicial pronouncements, the judiciary's evolving stance on whistleblower rights can be assessed.

5.1 People's Union for Civil Liberties v Union of India (2004)

In this landmark PIL, the Supreme Court acknowledged the importance of protecting individuals who expose corruption in public life. The Court directed the Central Vigilance Commission (CVC) to act as a nodal agency for receiving complaints from whistleblowers until a law was enacted²⁶. This interim measure provided the basis for what would later become

²⁶ *People's Union for Civil Liberties v Union of India* (2004) AIR 2004 SC 1442

the **Whistle Blowers Protection Act, 2014**. The case marked a critical judicial endorsement of the whistleblower's role in ensuring transparency in governance.

5.2 Vineet Narain v Union of India (1998)

Though not a whistleblower case per se, this judgment established critical principles on the independence of investigative agencies in corruption-related cases. The Court observed that lack of institutional accountability and the absence of protective mechanisms embolden systemic corruption²⁷. It indirectly underscored the necessity of enabling citizens and employees to report misconduct without fear, laying the groundwork for future legal recognition of whistleblower rights.

5.3 Manju Bhatia v NDMC (1997)

In this case, a complainant faced severe retaliation after reporting irregularities in municipal functioning. The Delhi High Court observed that public-spirited individuals exposing corruption must be protected and not penalised²⁸. The Court advocated for legal recognition and statutory backing for such individuals, urging lawmakers to introduce formal safeguards.

5.4 Lack of Consistent Judicial Enforcement

Despite the above progressive rulings, Indian courts have **not developed a consistent jurisprudence** on whistleblower protection. In many cases, whistleblowers face long litigation processes and limited relief, especially in the private sector, where legal remedies remain sparse. Courts often hesitate to interfere with internal company affairs unless there is a breach of statutory duty or public interest at stake.

Furthermore, courts have **rarely imposed penalties** on individuals or entities that retaliate against whistleblowers, creating an atmosphere of impunity. Unlike jurisdictions such as the UK or the US, where judicial orders often lead to reinstatement and compensation, Indian jurisprudence has yet to evolve a remedy-driven model.

²⁷ *Vineet Narain v Union of India* (1998) 1 SCC 226.

²⁸ *Manju Bhatia v New Delhi Municipal Council* (1997) AIR 1997 Del 292

6. Policy Recommendations and the Way Forward

The analysis of corporate fraud and the challenges faced by whistleblowers in India underscores the pressing need for comprehensive reforms. While India has made foundational efforts through legislation like the Whistle Blowers Protection Act, 2014 and the Companies Act, 2013, these frameworks fall short in protecting whistleblowers and addressing the complexity of fraud in both public and private sectors. Drawing from international best practices and India's own legal and institutional limitations, several key policy recommendations can be proposed.

6.1 Strengthening Legal Frameworks

The first and foremost requirement is to **amend and operationalise the Whistle Blowers Protection Act, 2014**, which has not been effectively enforced since its enactment. The 2015 amendment bill diluted the scope of the Act by excluding disclosures that may affect the sovereignty, integrity, or economic interests of the state²⁹. This blanket exclusion must be revised to allow disclosures in the public interest while incorporating safeguards for national security.

Moreover, the law should be extended to cover the **private sector**, which is currently only addressed tangentially through internal mechanisms under the Companies Act, 2013. Given the increasing number of bank-related scams involving private financial institutions and corporations, the legal protection must be sector-neutral.

6.2 Establishment of a Dedicated Whistleblower Authority

India lacks a **centralised, independent authority** to handle whistleblower complaints. An institutional body akin to the **SEC's Office of the Whistleblower (USA)** should be created. This authority should:

- Maintain **confidentiality** of the whistleblower.
- Investigate complaints promptly.
- Offer **legal and psychological support** to complainants.
- Ensure **swift redressal** and enforcement of penalties against retaliators.

²⁹ The Whistle Blowers Protection (Amendment) Bill 2015, Bill No 71 of 2015

The existing Central Vigilance Commission (CVC) may be restructured and granted statutory autonomy and resources to serve this role effectively³⁰.

6.3 Provision of Monetary Rewards and Incentives

One major deterrent for whistleblowers is the absence of **tangible incentives**. Introducing a **reward mechanism** for disclosures that lead to the recovery of public funds or unearth major financial fraud, similar to the US Dodd-Frank model, would not only encourage reporting but also signal state support. This can be financed through fines and penalties recovered from fraud cases.

6.4 Legal Aid and Protection Against Retaliation

Whistleblowers must have **access to legal aid** and an assurance of **protection against retaliation**, including job loss, demotion, and defamation. Statutory penalties should be imposed on employers or colleagues who intimidate or victimise whistleblowers. Additionally, provisions should include **job reinstatement, compensation, and anonymity protections** where needed³¹.

6.5 Enhancing Corporate Vigil Mechanisms

The Companies Act, 2013 mandates listed companies to establish vigil mechanisms, but compliance remains weak. The following reforms are recommended:

- Mandatory **annual reporting** on whistleblower complaints and resolutions.
- Independent **compliance officers** to manage internal grievance systems.
- SEBI and RBI should audit these mechanisms regularly for effectiveness and transparency³².

6.6 Public Awareness and Cultural Change

Whistleblowing should be viewed as an act of **civic courage**, not betrayal. National awareness campaigns, educational efforts, and leadership training programs are essential to change the prevailing culture of silence and fear. Institutional culture in corporations and banks should reward transparency, not just compliance.

³⁰ Central Vigilance Commission, 'Annual Report 2022'

³¹ Anjali Bhardwaj and Amrita Johri, 'India's Forgotten Whistleblower Law' *The Hindu* (New Delhi, 10 April

³² Securities and Exchange Board of India (SEBI), 'Consultation Paper on Strengthening Vigil Mechanism Framework' (January 2023)

Conclusion

The prevalence of corporate fraud in India, particularly in the wake of high-profile bank scams such as those involving the Punjab National Bank, IL&FS, and Yes Bank, has exposed serious deficiencies in regulatory oversight, institutional integrity, and legal accountability. These cases have not only eroded public trust in financial systems but also revealed the systemic neglect of whistleblowers who attempt to expose wrongdoing at great personal risk.

While legislative instruments like the **Whistle Blowers Protection Act, 2014** and the **Companies Act, 2013** signify an important step forward, their incomplete implementation, limited scope, and weak enforcement mechanisms have rendered them ineffective in practice. Whistleblowers continue to face threats, retaliation, and marginalisation, thereby deterring potential disclosures that could help pre-empt frauds and safeguard public interest.

A comparative analysis with jurisdictions such as the United States, United Kingdom, and the European Union illustrates how a well-functioning whistleblower regime must be grounded in **legal protection, anonymity, independent oversight, and incentive-based mechanisms**. These international models offer valuable lessons for India to build a more robust and inclusive whistleblower protection framework.

Judicial pronouncements in India, though supportive of the idea of whistleblower protection, lack doctrinal consistency and enforcement strength. They need to be complemented by **clear statutory mandates, strong institutional bodies, and cultural transformation** within both public and private enterprises.

In moving forward, it is imperative that India adopts a **multi-pronged strategy** involving legislative reform, administrative accountability, corporate vigilance, and public awareness to encourage ethical disclosures and combat corporate fraud. Protecting whistleblowers is not merely a regulatory necessity; it is a **democratic imperative** to ensure transparency, trust, and justice in the corporate and financial ecosystem.